

VZCZCXYZ0002
PP RUEHWEB

DE RUEHBU #1566/01 1952004
ZNY CCCCC ZZH
P 142004Z JUL 06
FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC PRIORITY 5220
INFO RUEHAC/AMEMBASSY ASUNCION 5608
RUEHBR/AMEMBASSY BRASILIA 5405
RUEHCV/AMEMBASSY CARACAS 0938
RUEHIL/AMEMBASSY ISLAMABAD 0028
RUEHLP/AMEMBASSY LA PAZ JUL LIMA 1863
RUEHME/AMEMBASSY MEXICO 1125
RUEHMN/AMEMBASSY MONTEVIDEO 5679
RUEHSG/AMEMBASSY SANTIAGO 5214
RUEAIIA/CIA WASHDC
RHEHNSC/NSC WASHDC
RUCPDOG/USDOC WASHDC

C O N F I D E N T I A L BUENOS AIRES 001566

SIPDIS

SIPDIS

STATE FOR WHA/BSC
DEPT PASS USTR MSULLIVAN
NSC FOR CRONIN
USDOC FOR ITA/MAC/WBASTIAN

E.O. 12958: DECL: 07/13/2016
TAGS: [ETRD](#) [ECON](#) [PREL](#) [PINR](#) [AR](#)
SUBJECT: ARGENTINA'S "SO-SO" MERCOSUR PRESIDENCY COMING TO
AN END

REF: A. MONTEVIDEO 00567

[1](#)B. MONTEVIDEO 00616
[1](#)C. MONTEVIDEO 00640

Classified By: AMBASSADOR LINO GUTIERREZ FOR REASON 1.4(D)

[1](#)1. (C) Summary: As Argentina's pro temp Mercosur presidency comes to an end, it can claim success in its top priority, bringing Venezuela into the Mercosur fold, but it failed to make much progress on any other fronts. An MFA official characterized the Argentine presidency as "so-so." Argentina will announce an expansion and deepening of Mercosur's trade ties with Cuba at the upcoming Mercosur summit; it is not yet known whether Castro will attend. If Uruguay seeks a waiver to Mercosur regulations prohibiting unilateral FTA negotiations with the U.S., an Argentine MFA official predicted that Argentina would deny the request. End Summary.

Mediocre Results

[1](#)2. (C) Econoff called on Counselor Ernesto de la Guardia of the MFA's Mercosur office July 13 for a GOA self-assessment of Argentina's pro temp Mercosur presidency, which will come to an end with the July 20-21 Mercosur summit in Cordoba. De la Guardia admitted that Argentina's presidency had been only "so-so," and that the GOA had failed to achieve several key objectives set by Trade Secretary Chiaradia in February 2006. He characterized the Argentine presidency's biggest success as Venezuela's accelerated entry into full membership.

The "Failures"

[1](#)3. (C) De la Guardia said that a GOA goal going into its presidency was to make solid progress toward harmonizing Mercosur's Common External Tariff (CET). Not only was that goal not realized (Reftel A), but the GOA had been unable to even arrange a substantive meeting to discuss the subject.

Another area in which the GOA failed to make progress involved clarifying the rules regarding investment within Mercosur. De la Guardia pointed out that Argentina has bilateral investment treaties (BITs) with fifty-six countries, but not with its Mercosur partners. "We have a BIT with Bulgaria, but not with Uruguay," he lamented. Likewise, the Argentine presidency made no headway toward a common ground on the touchy issues of member country incentives and subsidies.

Venezuela Already Imposing its Will

¶4. (C) The "most important" challenge for the GOA during its presidency was effecting Venezuela's entry into full Mercosur membership (Reftel B), which counts as a success even if it didn't happen exactly as the GOA planned, according to de la Guardia. He said that the GOA envisioned a measured, "EU-like" entry for Venezuela, but "Chavez said 'Now' and so it happened quickly." De la Guardia also noted that the GOA had been counting on announcing Venezuela's full membership during the upcoming summit, but Chavez himself insisted that the announcement (and celebration) take place specifically on July 4 in Caracas.

¶5. (C) Venezuela's special status as a member with voice and vote but no real obligations has already begun to change the texture of Mercosur's internal discussions, de la Guardia said. As an example, he cited an unproductive Venezuelan intervention during a recent intra-Mercosur debate over ongoing negotiations toward a commercial agreement with Israel. Citing its close relationship with Hamas, Venezuela pushed for a cessation of negotiations with Israel, an idea

that was rejected by other Mercosur members, according to de la Guardia.

----- ---
Uruguay -- Mercosur Won't Smile on FTA with U.S.

¶6. (C) De la Guardia raised the subject of a possible U.S.-Uruguay FTA, saying Uruguay has yet to formally broach the possibility within Mercosur, and the GOA is not expecting any discussion of the subject during the summit. He said Uruguay would have to apply within Mercosur for a waiver of Mercosur's decision 32/00, which Argentina believes prohibits Uruguay from negotiating an FTA independently with the U.S. De la Guardia stressed that he could not pretend to know what President Kirchner would say if pressed on the issue, but that the timing is especially poor for Uruguay at the moment. Argentina's recent setback at the International Court of Justice in its case against Uruguay regarding Uruguay's construction of pulp mills (Reftel C) would ensure an Argentine rejection of any Uruguayan waiver request, de la Guardia opined. (President Kirchner has repeatedly said that Uruguay should be free to negotiate an FTA with the U.S. if it wished to do so.)

Cuba - Fidel Still Unconfirmed for Summit

¶7. (C) Argentina plans to announce two new Mercosur accords during the Cordoba summit: a fixed-preference agreement with Pakistan, and an agreement that "deepens and expands" Mercosur's ties with Cuba. De la Guardia characterized both agreements as of "marginal" economic significance, although the GOA hopes -- as a creditor to Cuba -- that increased trade will bring Cuba an increased ability to repay its debts. Argentina is still unsure whether Cuban leader Castro will decide to attend the summit, but De la Guardia said a visa had already been issued to Cuba's foreign minister.

Comment

18. (C) The Argentine presidency's inability to make progress in anything but Venezuelan accession was a disappointment to career Mercosur hands at the MFA, according to de la Guardia.

What he said was more disturbing, however, was the reason for Argentina's ineffectiveness: the growing number and influence within the MFA of ideologically-driven political appointees at all levels. De la Guardia said that the past months, during which Venezuela was a constant agenda item within his office, marked the first time during his fifteen years as a diplomat that he had to "watch what he said" in internal discussions. De la Guardia is only one working level official, and his complaint is a new one and its veracity therefore difficult to judge, but we will be watching to see if it is repeated by other MFA contacts.

GUTIERREZ